January 2018 By Davis Riemer

DHR Investment Counsel, Ltd.
The Fine Art of Wealth Management

Greetings, to you and to the New Year!

This issue is the first *Perspective* in 2018, although in focus, the last for 2017, now in the rear view mirror. We begin this issue with our normal charts on market index performance. This quarter, the string of "green arrows persists," depicting positive historical performance. That's good. We then show two charts displaying historical asset class performance. We have also included another chart which compares the performance of several DFA funds to their peer groups. Our clients know that we have long preferred DFA funds to most others, although we include Vanguard as well. With such concentration, one might occasionally wonder – "Am I in a good place"? This chart presents comparisons that should allow to you conclude "yes."

Accompanying this *Perspective*, although not in the body of it, you will find the spreadsheet reporting performance of the mutual funds DHR uses, shown for periods covering the last ten years. The format of this presentation has not changed materially for some time, so we trust you are familiar with it. We have offered a few comments here on the numbers therein, but we do not dwell at length on them. The various charts, along with your quarterly reports on the DHR portal, pretty well explain what has happened with your portfolio.

When reviewing the numbers on the enclosed charts along with the ones on our "Annual Review" spreadsheet, one can see that we still await the resurgence of value and small cap. Although large company growth stock performance has recently dominated the investment markets, we have no reason to expect that our preferred styles have withered. We do know that waiting for their return to higher numbers requires patience. Our long term view remains steady, based on both financial theory and long-term historical research. Naturally, we can and will discuss any of this with you at any time.

After the numbers, there follow four articles on subjects that we have been asked about, some of which have appeared in the media. Accordingly, you can read DHR's view on them. First is the so-called "January Effect;" then, how to pick individual stocks for profits (or actually, as it turns out, for losses); then, a look at how hedge fund performance compares to the market; and last, "Are we in a stock market 'bubble'? "

After that, we switch gears to discuss two individual mutual funds. Responding to client requests for "more education about the investments," we offer information about a mutual fund we have used for many years. We plan to do the same in future issues of the *Perspective*. The second fund discussed is a new one and we are pleased to announce its inclusion in our portfolio recommendations. Please read Louise's article about *Vert,* a fund that invests in domestic REITs with an emphasis on sustainability. We hope you enjoy our brief comments on the last page about a piece of our money art and the artists who produced it.

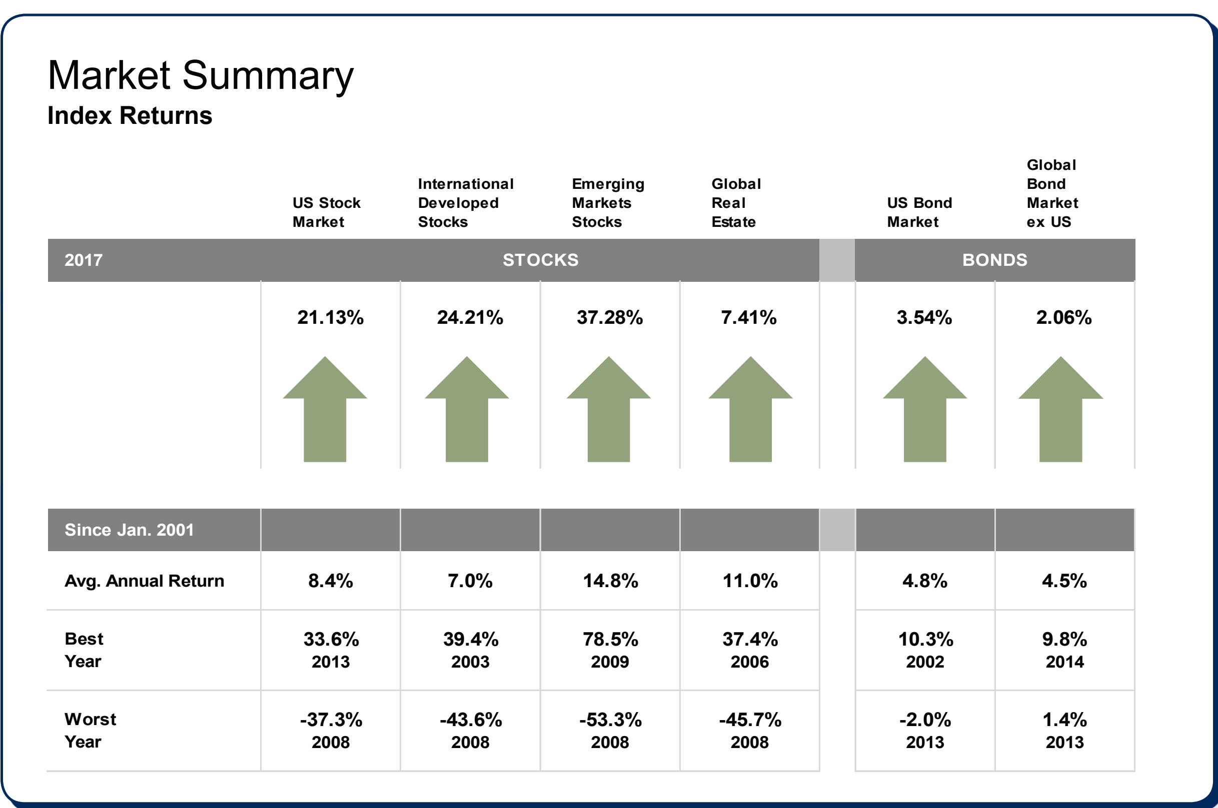
May you enjoy a prosperous 2018! Please do call anytime we can help.

Annual Performance Review of Selected Investments

In addition to the four charts contained in this issue, we have incorporated another into the mailing. We have included with this *Perspective* a spreadsheet copy of our "Annual Performance Review of Selected Investments." It shows the annual performance of most of the funds we use, for 2017 and each of the preceding nine years. It also shows the cumulative performance of each fund, over the last three, five and ten years, all as of December 31, 2017, with annual compound return and also "Growth of a Dollar." The combination of this chart, with the charts shown elsewhere in this *Perspective*, should provide much of what you want to know, except for the performance of your actual portfolio, which rests on its allocation and the specific funds actually used. That performance appears in your reports, either on the portal or in the paper mailing. In this section, we address only a few matters shown in the Annual Review.

When spread out in front of you, look to its right side; the year 2008 is the first reported this time. Notice the red ink in the global markets in 2008, 2010 and 2011 and then, following a partial recovery in 2012 and 2013, the red ink again in 2015. In the international markets, performance was negative in 2014 as well. Do you remember those numbers and those times? And yet – and yet - look at the columns for Total Return and the "Growth of a Dollar," especially over the ten-year period. Despite the declines (and the anxiety), the decade finished in strong shape. Naturally, as time moves along, we will see more red, sliding in from the most recent on left, moving slowly to the longer term on the right. We must be patient, learning from the past.

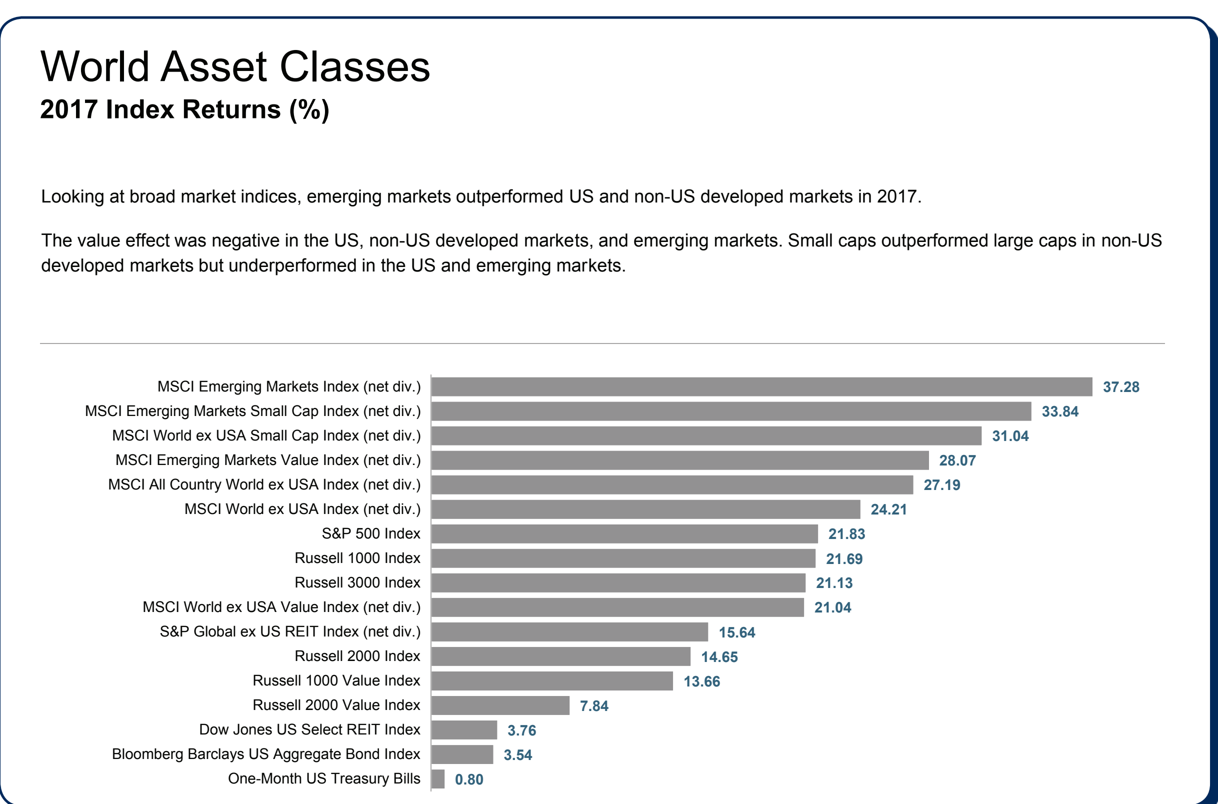
It is interesting that the return over the last five years beats that of the ten. That is largely due to luck – the entry point. When we enter the markets, we never know what return we will achieve. If one invests for a short period of time, unexpectedly or intentionally, the price paid matters a lot. However, the effect of purchase price tends to diminish with time; and the entry point tends to mean less and less. For the long-term investor, the return is determined on sale, not on purchase price. In the left-most column, pick out the "value" funds. For the most part, even they turned in respectable numbers over the decade. It's hard to complain about not beating someone else when one is making money.

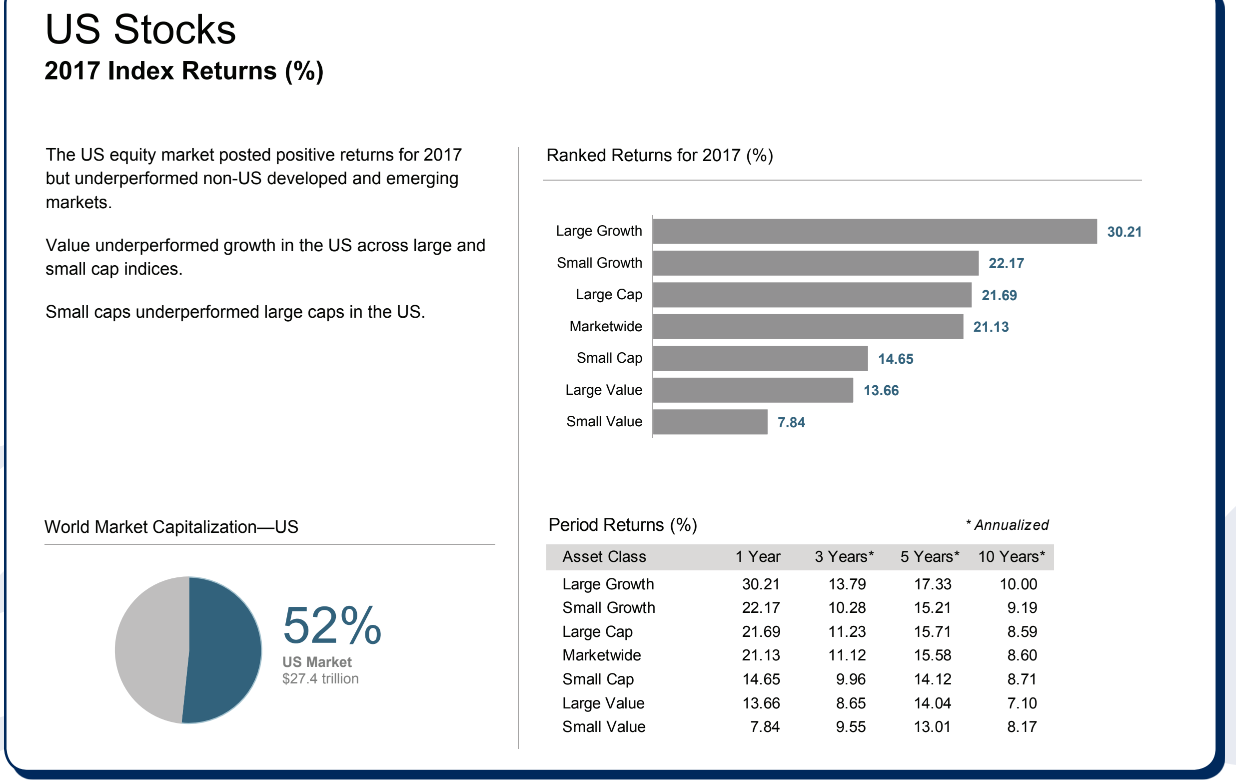


Market Summary
Index Returns

2017	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
	STOCKS				BONDS	
	21.13%	24.21%	37.28%	7.41%	3.54%	2.06%
Since Jan. 2001						
Avg. Annual Return	8.4%	7.0%	14.8%	11.0%	4.8%	4.5%
Best Year	33.6% 2013	39.4% 2003	78.5% 2009	37.4% 2006	10.3% 2002	9.8% 2014
Worst Year	-37.3% 2008	-43.6% 2008	-53.3% 2008	-45.7% 2008	-2.0% 2013	1.4% 2013

Run your eye down the "2017" column and reflect back on the oft-expressed forecasts for the global stock markets for last year. From the time of our last presidential election, forecasts for our market were very gloomy. They had also been gloomy for a number of years for the rest of the world's developed and emerging markets. Of course things can turn around, but the lesson here is – take forecasts advisedly. While they can often be right eventually – their timing is a different matter!





Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Growth	30.21	13.79	17.33	10.00
Small Growth	22.17	10.28	15.21	9.19
Large Cap	21.69	11.23	15.71	8.59
Marketwide	21.13	11.12	15.58	8.60
Small Cap	14.65	9.96	14.12	8.71
Large Value	13.66	8.65	14.04	7.10
Small Value	7.84	9.55	13.01	8.17

Comparison of DFA Funds to Peers

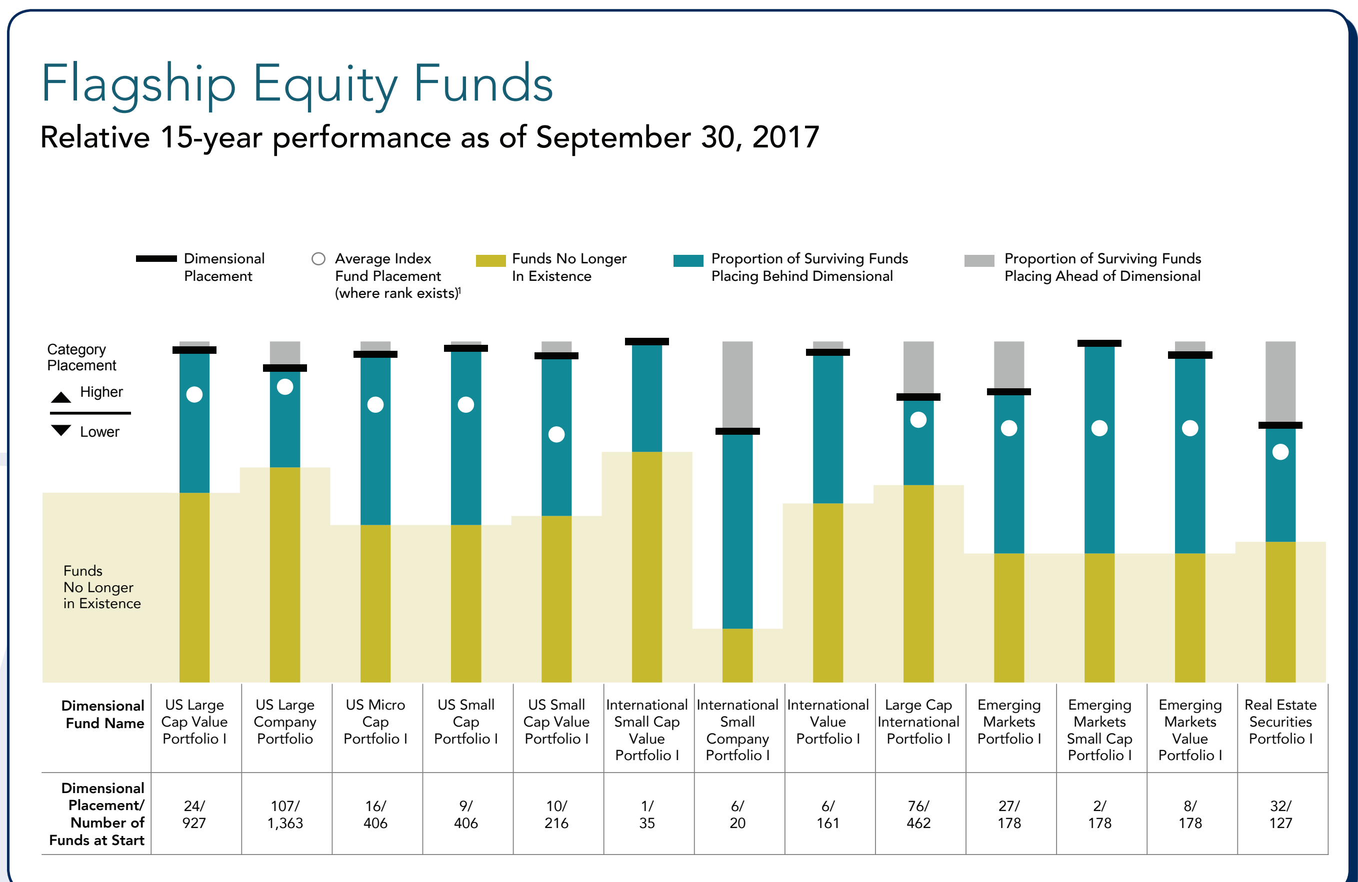
We have been asked "Why DFA? Aren't their funds basically the same as other index funds?" The answer is "no, they are not the same," but explaining why requires technical discussions, so can get difficult. How to move from claim to evidence? Here is some pudding, that offers some proof of historical performance. The chart compares thirteen DFA funds to the appropriate asset class group of index funds and was created from the Morningstar independent investment research organization. The fifteen-year period studied began on October 1, 2002 and ended on September 30, 2017.

The display is complex. We suggest you start your review at the top of the chart, with the legend above the color-coded columns.

The chart illustrates several variables – the total number of index funds in the market at the beginning of the 15-year period, the number of those funds that survived the entire period, the rank of the average annual performance of those funds surviving the entire fifteen-year period, the actual performance of the DFA fund in each category and the number of funds that finished ahead of the DFA fund. ("Funds" includes all the share classes in each fund.) Once one "gets the hang of it" in reading the chart, one knows the positive performance-based answers to "Why DFA?"

The answer to "Why DFA?" further includes that we can expect higher performance over time than we would get in a true index fund. Furthermore, as you have heard from us endlessly, we expect top-quartile performance from the index category itself over time. We trust that this information will add to your confidence.

Past performance contains no predictive information about future performance.



Dimensional Fund Name	US Large Cap Value Portfolio I	US Large Company Portfolio	US Micro Cap Portfolio I	US Small Cap Portfolio I	US Small Cap Value Portfolio I	International Small Cap Value Portfolio I	International Small Company Portfolio I	International Value Portfolio I	Large Cap International Portfolio I	Emerging Markets Portfolio I	Emerging Markets Small Cap Portfolio I	Emerging Markets Value Portfolio I	Real Estate Securities Portfolio I
Dimensional Placement/ Number of Funds at Start	24/ 927	107/ 1,363	16/ 406	9/ 406	10/ 216	1/ 35	6/ 20	6/ 161	76/ 462	27/ 178	2/ 178	8/ 178	32/ 127

"The January Effect"

Virtually every January I have heard this question asked about the stock market: "What about the 'January Effect'?" The question refers to the notion that the price movement of the S&P500 in the month of January foretells the price movement of the rest of the year. In other words, if the market generates a profit in January, it will also do so for the entire year, by December 31. Same in reverse, for a negative return. For example, a conclusion and action: If the market declines in January, one should sell (and presumably wait until the following year to get back in?); cleverly, the topic of *when to buy* escapes the attention of this advice. Since this canard has persisted in popular consciousness, there must be people who act on it. Well, what statistical odds would you want to see before putting your money on the line? Would you accept a 40% likelihood of success? Going all the way back to 1926, we find that 60% of the time that the S&P had a negative return in January, a positive return followed for the succeeding 11 months, generating a positive return for the year. Not very good odds for that seller. For example, consider the year 2016. During the first two weeks of January, the S&P declined by 7.9% - the worst on record for this two-week period. (Time to sell, before it gets worse?) The index then rose during the balance of the month, but still finished down by 5%, for the ninth worst January since 1926. (The sky darkens.) But then, in February, the market rebounded for the rest of the year, rising 18%, to generate a positive return for the entire year of 13%. Not bad – except for the poor souls who followed the notion of "The January Effect." Seeking clever ways to make money, it seems that people repeatedly mistake anomalies for reliable patterns. Or, as William F. Buckley used to say: "Correlation is not causation."

"By trying, we can easily learn to endure adversity. Another man's, I mean."
Mark Twain

Hot Stocks and Long Odds

Let's take the "odds" question one step further, but instead of time, let's look at picking individual stocks. We are frequently asked for our opinion on buying shares in a single company that the questioner is considering. I regret to disappoint, but need to answer that we have no opinion. We do not attempt to keep up with market opinions on individual companies. We do have a view, however: Hold it or buy it if you have a strong emotional attachment to it, e.g. if a parent gave it to you, or if you have strong knowledge of its future (?). To justify putting money into it, you must believe that, over time, the company will do better than the market. Better than the market over time? What are the odds?

The *Social Science Research Network* (SSRN) recently published an interesting paper written by Hendrik Bessembinder, a professor in the Carey School of Business, at Arizona State. For his research, he used the Center for Research in Securities Prices database. The "CRSP" provides historical data on most stocks in the US market and is widely preferred by economists for research. Bessembinder analyzed the performance of all the stocks, individually and in aggregate, over the 90-year period from 1926 to the end of 2016. He then calculated statistical evidence of the performance of shares in the individual companies. The data led him to a fairly dramatic conclusion, which in turn supports our thesis that mutual funds offer superior opportunities for a long term investor. In the opening paragraph of his abstract, Bessembinder acknowledged that his conclusions were counter-intuitive. Stocks, being riskier than Treasury bills, are expected by theory to generate higher returns.

From the paper's abstract:
(The quoted text tends toward the technical, but I wanted to say it exactly as Bessembinder did).

"Four out of every seven common stocks that have appeared in the CRSP database since 1926 have lifetime buy-and-hold returns less than one-month Treasuries. When stated in terms of lifetime dollar

wealth creation, the best-performing four percent of listed companies explain the net gain for the entire U.S. stock market since 1926, as other stocks collectively matched Treasury bills. These results highlight the important role of skewness *(Ed.: the tendency for distributions, in a Bell-curve display, to be asymmetrical around the mean)* in the distribution of individual stock returns, attributable both to skewness in monthly returns and to the effects of compounding. The results help to explain why poorly-diversified active strategies most often underperform market averages."

From an analysis of the paper:
Importantly, for longer term investors, the results are even more surprising and disappointing. Only 42.1% of common stocks have a lifetime return "that exceeds the return to holding one-month Treasury Bills over the same horizon, and furthermore, more than half deliver negative lifetime returns." A major reason for the poor returns is the short shelf life of individual common stocks. The median time that a stock was in the CRSP database between 1926 and 2015 was just over seven years.

Here's the daunting challenge to active investors. The single stock simulations: 1) Underperformed the value-weighted index 96% of the time; 2) Underperformed the equal-weighted index 99% of the time; and 3) Underperformed T-Bills 72% of the time.

Of course, one might say that the time period is unrealistic – that active investors don't simply buy and hold for that many years. A shorter period of time, say ten years, might improve the accuracy of forecasts. However, the research showed that, even for a ten year holding period, a reasonable time for meaningful investing, 49.2% (versus the previously-referenced 42.1%) of stocks underperformed Treasury Bills.

Note that individual stocks under-performed T-Bills 58% of the time over long periods, and 49% of the time over ten-year periods. Chances less than half? You might as well use a coin toss or a monkey with a dart board to determine whether to buy. That's part of the reason that many people have likened equity investing to gambling.

The overall stock market is able to generate much higher long-term returns while the majority of individual stocks underperform T-Bills because the relatively few stocks that outperform do so in such a way that they more than make-up for the huge number of losers. Large positive returns are more frequent than large negative returns. Therefore, for a serious long-term investor, broad diversification offers a superior opportunity to create long-term wealth.

Our own view has always been that the cause of superior historical performance cannot reliably be attributed to skill rather than to chance. With these statistics, why take the chance when you are dealing with serious money?

Buffet's Bet

In This Corner: The S&P500 Index
and
In This Corner: The Hedge Fund Industry

One more punch!

In 2007, Warren Buffet made a performance bet with "the hedge fund industry." He offered $1,000,000 for his side and claimed that, over the course of the ensuing decade to December 31, 2017, the Vanguard S&P500 Index Fund would generate superior performance to a composite of five hedge funds, to be selected by the other side of the bet. After offering his wager to the market, Buffett said: "I then sat back and waited expectantly for a parade of fund managers -- who could include their own fund as one of the five -- to come forth and defend their occupation. After all, these managers urged others to bet billions on their abilities. Why should they fear putting a little of their own money on the line? What followed was the sound of silence. Though there are thousands of professional investment managers who have amassed staggering fortunes by touting their stock-selecting prowess, only one man -- Ted Seides -- stepped up to my challenge." Seides created the composite of five hedge funds for his side, represented as follows.

Well, Buffet and the Vanguard S&P500 Index Fund won – big. The first nine years' results were:

Year	Hedge Funds	Index Fund
2008	(23.90%)	(37%)
2009	16.10%	26.6%
2010	8.56%	15.1%
2011	(0.42%)	2.1%
2012	6.80%	16%
2013	12.62%	32.3%
2014	5.24%	13.6%
2015	1.18%	1.4%
2016	0.86%	11.9%

On December 31, 2017, the end of the tenth year, the winning margin for Buffet wasn't even close. The index averaged a 7.1% compounded average return, vs. 2.2% for the hedge fund basket.

In his 2015 annual letter to shareholders, Buffet wrote: "For 240 years it's been a terrible mistake to bet against America, and now is no time to start. America's golden goose of commerce and innovation will continue to lay more and larger eggs." (Many years earlier, J.P. Morgan had said: "The man who is a bear on the future of the U.S. will always go broke.") Buffett has also said that "lethargy, bordering on sloth should remain the cornerstone of an investment style."

> ***"The art of government is to make two-thirds of a nation pay all it possibly can pay for the benefit of the other third."***
> **Voltaire**

The DFA Domestic Small Cap Fund

As mentioned in the introduction to this *Perspective*, we have had client requests for more education about the investments we use. In the future, we intend to include discussion of at least one fund in each quarterly *Perspective*. In this *Perspective*, we discuss the DFA US Micro Cap Fund (Ticker – DFSCX).

David Booth and Rex Sinquefield, the pair who began the company DFA - not in a garage, but rather in an apartment – formed this, the company's first fund, in December 1981. Thus, as of December 31, 2017, it has a 36 year operating history, long enough to base some confidence in the underlying ideas that motivated them. Booth and Sinquefield were then at the University of Chicago, as was Rolf Banz, who had just published a research paper demonstrating that shares of small companies had shown superior risk-adjusted returns over the prior 40 years. (When one adds the 36-year "real time" performance of the asset-class-based DFA U.S. Micro Cap Fund to the research history of the asset class, one has 76 years of performance history of the asset class. That makes for relatively high levels of confidence in small cap investing.) The companies Banz studied were "very small," so at the time, institutional investors had no ready way to gain access to this asset class. Accordingly, Booth and Sinquefield decided to start a mutual fund that would capture them. Thus began the DFA Micro-Cap Fund. Its investment objective is long-term capital appreciation. The principal risks are high volatility, long periods of underperformance and potential loss of capital. Current assets under management are $6.4B.

The market index benchmark for this fund is the Russell 2000, which holds the smallest 2,000 companies of the Russell 3000 total market index. At December 31, 2017, the R2000 held 1,983 companies and the DFA fund held 1,586. The weighted average market cap of both the index and the fund was approximately $1.3B. The median market cap of the fund was $528MM, however, indicating that the fund held more of the smallest companies than the index.

The historical performance advantage definitely lies with the fund. For example, over the ten-year period ending December 31, 2017, the average annual return for the index was 8.71% and for the fund was 9.36%, net after expenses. The Operating Expense Ratio for the fund was 52 Basis Points. (0.52%). The index has no expenses. The longer holding period – from the inception date of the fund to December 31, 2017 – showed an even better advantage. The "Growth of $1" in the index was $37.46, while the fund's $1 grew

to $61.60. As with many of DFA's funds, the superior performance comes in no small part from their trading strategies, which allow them to avoid being tied to a capitalization weighted scheme, or an annually-derived dictate of holdings and proportions.

Past Performance contains no predictive information for future performance.

Are We in a Bubble?

Despite the experiences with - and the media noise in - 2017 about politics, bombs and money, investment markets around the world delivered strong results and we all prospered as a result. Now, we have arrived at a high point – indeed, an historically high point in our stock market - from which we attempt to peer into 2018 and beyond. But no matter the elevation, fog obscures our view. In our work, the only thing that is certain is uncertainty.

We have a chart in our conference room that displays the performance of investment markets from 1926 through the 20th century and into the 21st. In addition to market data, it also displays major crises and events - political, military and economic. What we have been through is remarkable. Also remarkable is what can be achieved over time in investing. The pairing of those two views promotes a question: How does a person, an investor in real time, ride over the top of all that price fluctuation? Looking back over the volatility of recent decades, one can tend to minimize the angst in the actual experience. But we had relatively little volatility in 2017. Although news media have given us disturbing stories virtually every day, we have had little actual fluctuation. Stock prices have risen fairly consistently. This is unusual and unlikely to persist. As a result, people are now asking, in part prompted by the media: *"Are We in a Bubble?"* The questions we hear often carry some degree of angst. Media reporting often seeks to promote emotional reactions – to stimulate their numbers of viewers or listeners or readers – by trying to get their audiences stirred up with fear of financial losses. The very use of the term "bubble" is descriptive, bringing visions of a sudden "Pop!" and the disappearance of what had been, causing one to fear that one's finances might suddenly be "gone." It is not an unimportant matter.

I prefer to change the question from "Are We in a Bubble?" to "When Will Positive Performance Be Interrupted?" When a bubble pops, its life has ended. On the other hand, an "interruption" is only that; it precedes a return to rising prices. The rephrased question will turn out to be more realistic. The end of growth is not nigh. However, the word "bubble" does imply a sudden, precipitous, impactful outcome from a market event. That happened in 1987, 2000 and 2008. According to pundits, stock market investors seem now to be ignoring bad news. But prices will decline – we know that. We just don't know when, nor by how much, nor for how long.

Here are some of the reasons why people fear an imminent decline. The bull has been running in the market for a long time – longer than usual. To some, that means that a bear will appear before too long (but there is no rule on the extent of a bull's endurance.) Also, prices have reached an historic high. Some think that means that they will not go up more – or at least not by much – and that a correction is due. Pundits cite "valuations" to support the "correction is due" case. Valuations, which arithmetically measure the value of a company and / or its shares, are measured in ratios, like price-to-dividends, price-to-earnings or price-to-book value. To some, those measures show that market prices are not only high, but they are also beyond normal ranges. The Federal Reserve Bank has continued its bond buying program, begun in 2008. Since the yields (interest) and prices of bonds move in opposite directions, the Fed's buying keeps prices of bonds high, forcing yields down. Therefore, interest rates are low. As a result, "yield seeking money" has bought dividend-paying stocks instead of bonds. That cannot go on forever. So – it will not.

What might cause the stock market prices to go down? Since our economy is fairly strong, and since

people expect a boost to both corporate profits and worker's wages from the new tax law, it is doubtful that a single reversal in one of the areas above would turn things around. However, it is certainly harder to generate high stock market growth from our current price points than it was when prices were 15 – 20% lower. It is not unreasonable to think about corporate earnings flattening or decreasing. If the Fed reduces its bond buying further, which is reported as a possible event for 2018, then if interest rates rise, bond prices will likely fall. Unemployment is low and competition for workers is increasing. A combination of higher wages for workers and a rise in interest rates might accompany an increase in inflation above the Fed's target of 2%. Some combination of these factors would depress enthusiasm for stocks. However, a significant potential for a more dramatic decline lies in some unforeseen "trigger event," which we cannot forecast.

Discussing whether we are in a bubble does not advance our understanding, unless one accepts the only true statement one can make about it: We never know – cannot know if it was a bubble – until after it pops. Discussing an interruption in market growth then raises the question of how one makes it from top to top to top, without angst or sale losses caused by selling, a subject we often treat in our *Perspective*.

"We could certainly slow the aging process down if it had to work its way through Congress."
Will Rogers

Some Thoughts on Prosperity

When thinking about the future at the turn of each new year, most of us hope for prosperity. However, simply having "more" - more money or more material assets – does not necessarily equate to prosperity. While a surplus of one's resources over one's needs can definitely help to promote peace of financial mind, the whole mind must first be prepared to understand. "Who is rich? He that rejoices in his portion." (Ben Franklin) We need the mental and emotional capacity to rejoice in our possessions, not just in the anticipation of more possessions.

In our work with clients, we pursue a different definition beyond simply always seeking "more." It is one thing to seek more and quite another to know how much is enough. "It is not the man who has too little, but the man who craves more, that is poor." (Seneca)

When thinking about future prosperity in our own lives, we often fail to fill in details of meaning, and rather leave the thoughts in the form of vague hopes. If we truly hold "prosperity" as an objective, then in order to achieve it, we must quantify it. Without a specific, measurable definition, it will only come to us by chance. There is only one measure of success, but many of failure, so if we don't know what we want then we will likely get what we don't want. Accordingly, we suggest some more specific ideas for prosperity.

As planners, we tend to define prosperity with an equation – the alignment of one's resources with one's wants. (R = W) As in algebra, the question is: "How does one balance the equation?" To create balance, we must have control. Controlling the resources side of the equation is definitely possible, to an extent, but one cannot create results beyond what the world makes possible. Markets do not respond to wishes. One can fashion a solid plan, however, based on realistic assumptions and expectations, that leads to satisfactory, quantifiable conclusions. A challenge still comes from the other side, however – the wants. Our wants are personal and subjective; we can

control them. It can be hard to tell the difference, but it's crucial to learn what you really need and what you only want. In studying history as far back as ancient Greece, we can observe this tension: "Wealth consists not in having great possessions, but in having few wants." (Epictetus) How does one exercise such control over both resources and wants? Will "hope" work to cause our resources to increase to such an extent that they exceed our ever-expanding wants? Clearly, we think that hope is not a method.

DHR has developed a workable method, utilizing sophisticated software, by which we assist clients to achieve this alignment. For sure, it requires ongoing application of planning and guidance, reflection and decisions, determination and effort. Also for sure, the greater part of the effort falls to the client, and not only "once and for all." Nevertheless, the end result - prosperity as we have defined it, with the satisfaction and peace of mind that accompany it, justify the effort expended. Please ask us about it.

New REIT Fund, from Vert Asset Management

By Louise Rothman-Riemer

For some time now many of you have asked us about climate change and its potential impact on your portfolios and especially positions investing in Real Estate Investment Trusts (REITs.) We are pleased to announce that we now have a most interesting option for you to consider. Vert Asset Management is a global fund investing in sustainable real estate.

The founders of Vert, Sam and Sarah Adams, are investment-savvy professionals that we have known for many years. Sam had a long history with DFA including opening DFA's very successful London Office. Eventually, Sam left DFA to pursue his and Sarah's passion to create a sustainable global real estate fund.

This fund is based on an investment philosophy that focuses on "the triple bottom line of people, planet, and profit." The companies in the fund are companies "… that use sustainability to drive value, take a long term perspective and are open and transparent."

Vert's investment strategy is similar to the DFA Fund strategies that you are familiar with in your portfolio in that the strategy is based on extensive academic research. Being a global sustainable real estate fund the focus is on "evidence-based metrics within Environmental, Social and Governance (ESG) criteria that have been shown to be most material for real estate companies."

To be more specific: **Environmental criteria** focuses on energy and / or greenhouse gas reduction, green building certifications, biodiversity and land conservation.

Social criteria include urbanism and the need to be public transit-oriented. This is vitally important because such criteria acknowledge the impact buildings have on a community, which include forms of civic engagement, especially involving consideration of issues such as affordable housing.

Governance criteria looks at forms of disclosure and reporting, stakeholder engagement, greenhouse gas policies and programs.

But what actually does that mean? And what makes a building "green" anyway?

One of the country's foremost "green" organizations is the Rocky Mountain Institute (RMI) which believes in and advocates for buildings that are more productive, valuable, healthy and safer for people. According to their website, Americans spend 90% of their time indoors, which means we use energy to heat and cool those buildings so we can be more comfortable. Thirty-five percent of all energy consumed globally is consumed by buildings. Buildings consume 60% of all generated electricity and furthermore 39% of US carbon emissions come from buildings. RMI also states that buildings have about a 30 year designed life

span. Buildings that have more effective energy systems can have a design life of as much as 100 years.

RMI is also focused on driving market growth for "net-zero-carbon" districts. Net zero energy buildings produce as much or more clean energy than they use annually. So how can energy consumption be reduced in buildings? One way is to decrease a building's carbon emissions; this has an impact not only on those who service and occupy the buildings, but also benefits the community at large. One of the most significant ways to reduce carbon emissions is to use clean, renewable energy. Another way is for buildings to switch to LED lighting. Other options include the use of planned gardens to create restful areas for people on roof tops that also help impact interior heating and cooling.

One might well ask how are global real estate sustainability benchmarks determined? Such data is the focus of an organization called GRESB. GRESB is an acronym for "Global Real Estate Sustainability Benchmark;" it is an international investor-driven organization with headquarters in Amsterdam, in The Netherlands. They are incorporated in the United States as well.

How does GRESB work? According to their website (GRESB.com), they provide data on the ESG performance of portfolios, funds and assets (such as buildings) to companies that complete GRESB's Assessment. Among the data they collect is information on energy, greenhouse gas (GHG) emissions, water and waste. Once completed, the GRESB Assessment validates, scores and benchmarks the reported ESG performance data, providing insights to investors and participants. Investors in turn use the data and analytical tools to manage ESG risks, capitalize on opportunities and engage with investment managers. Assessment participants in GRESB receive information on where they stand against their peers, and a roadmap with the actions they can take to improve their ESG performance and a communication platform to engage with investors.

On Front Street in San Francisco one can find an organization known as "stōk." Stōk – "stōk" (with a lower case s) acts as a service provider for ESG buildings. According to their website, they are a "values-aligned partner in discovering, co-creating, and delivering high-performance spaces." Stōk describes itself as offering real estate services for "conscious brands" and that their partners are among the world's most impactful leaders in environmental and social justice. Stōk, – or as they prefer "stōk" – has created a "JUST" label reflecting how they judge themselves and companies they work with. "JUST" criteria focus on diversity, equity, safety, worker benefits, local benefits and stewardship. These are important qualities in building a sustainable community.

Examples of green buildings are not hard to find in the Bay Area. In 2018 The Salesforce Tower will be completed. This tower, which will be the tallest building on the San Francisco skyline, has met Green Building Standards. Other Bay Area green buildings include The Hive in uptown Oakland, the San Francisco International Airport, and the Exploratorium.

The Vert REIT is a brand new fund and because it is so new it likely will not be for everyone. If you are interested in having this fund as part of your portfolio we encourage you to talk to us about it. It might just be your ticket to having a sustainable, climate change sensitive REIT fund.

"I think Congressmen should wear uniforms, like NASCAR drivers, so we could identify their corporate sponsors."
Anonymous

Time I$ (Time is Money)

Peter and Donna Thomas collaborate in making art books, that is *books as art* - not about art, or containing pictures of art, but rather the form of the book itself as a piece of art. Further, their specialty is miniature books. This fine example, measuring 2.5" x 2", utterly charmed me. Its subject is time and money, the quotes are from writers I like and the image is kinetic. How could I resist?

Peter and Donna live in Santa Cruz and go to book art shows around the country in their self-made *Gypsy Wagon*. (Picture *"The Wind in the Willows*.") Peter and Donna have been making such art books for forty years. As this goes to press, they are in Lithuania, participating in that country's national book fair on art books. You might detect the effort they expended to create complexity in the final product of our book, one of only two. Each resides in a box (not shown here), decorated with a portion of a dollar bill and Donna's hand drawn images of clocks. Inside, the leather bound cover of the book is graced with a three dimensional image of a clock, a piece of a dollar bill and some coins. The flap-front cover opens to reveal a gold painted wood structure, holding a series of five rotating dowels, each holding paper, hand-made by Peter, with a message printed on it. The first side says: *"Time I$."* (*"Time is Money;"* Ben Franklin.) Turning the dowels rolls the papers to reveal a different message: *"Geological time is not money"* (Mark Twain). Further inside, Peter inserted a real $100 bill, on the edges of which, all around the bill, he wrote: *"Money is money is money."* When Peter first saw Twain's quote, he had the idea of using it with the Franklin quote in a book, although he first planned a book about time, not money. Which is it now?

Well, it's art, so – the viewer decides.